

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION
MARCH 24, 2008**

LATE TESTIMONY

MEASURE: HCR No. 304 /HR No. 254

TITLE: URGING THE PUBLIC UTILITIES COMMISSION TO RULE THAT ALL SCHEDULE Q CONTRACTS SHOULD RECEIVE THE FULL AVOIDED COST PRICING AS WRITTEN IN THE EXISTING SCHEDULE Q ELECTRICITY RATE SCHEDULE FOR EACH UTILITY.

Chair Herkes and Members of the Committee:

DESCRIPTION:

This resolution urges the Public Utilities Commission ("Commission") to determine that all Schedule Q purchased power contracts should receive the full avoided cost pricing as written in each electric utility's existing Schedule Q electricity rate schedule.

POSITION:

The Commission would like to offer comments on this resolution.

COMMENTS:

- Hawaii Revised Statutes § 269-27.2(c) requires the Commission to consider whether the linkage between the price of fossil fuels and the rate for non fossil fuel generated electricity has been reduced or removed. It does not currently provide for any exceptions – such as for small, distributive renewable energy systems – to this de-linking requirement.
- The Commission recently addressed the issue of a particular Schedule Q contract between Hawaii Electric Light Company, Inc. ("HELCO") and the County of Hawaii Department of Water Supply ("County").
 - On March 20, 2008, the Commission approved HELCO's request to include the costs of its Schedule Q purchased power contract ("Contract") with the County in HELCO's Energy Cost Adjustment Clause ("ECAC").
 - Under the Contract, HELCO agreed to purchase energy from a 50 kilowatt hydroelectric plant owned and operated by the County at rates to be determined by HELCO's Schedule Q. The County's hydroelectric plant is a qualifying facility under the Commission's rules.

- Upon review of the record, the Commission found that HELCO's inclusion in its ECAC of the costs of purchased energy under its Schedule Q purchased power contract with the County is appropriate.
- **In the Commission's recent order, it also stated that it will open a new docket to examine methodologies for calculating Schedule Q rates.**

Thank you for the opportunity to testify.